

**FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF COMMISSIONER LINDA K. BREATHITT**

**Opening Remarks for
Consultation Sessions With State Commissions on
Regional Transmission Organizations**

I am pleased to be with you this morning for the initiation of important discussions between the FERC and state commissions on whether and how the Commission will use its authority under Section 202(a) of the Federal Power Act. In my opinion, it is critical that these discussions take place at this time on how the Commission intends to proceed with a broad inquiry into the formation of regional transmission organizations. The direction FERC takes in this endeavor is of utmost importance to me and I know it is of utmost importance to every single person in this room this morning. That is why it is necessary that our talks today be thorough, candid, straightforward, and honest.

The establishment of regional boundaries for transmission organizations and the formulation of regional transmission policies, in general, will undoubtedly have an impact on states, on state regulatory commissions, on the electric utilities that conduct business in those states, and their customers, both retail and wholesale. As the Commission moves forward with its inquiry into regional transmission policy matters, I have three primary concerns pertaining to the effect our inquiry could have on the states and various regions. I believe these are matters the Commission should consider as part of its investigation.

First, I believe that the Commission must be mindful of the significant regional differences that exist in this country, why these differences exist, and the degree to which regional transmission planning efforts and policies will affect each state. These impacts could come in the form of added benefits such as the elimination of pancaked rates and greater efficiencies of the transmission grid or in the form of cost shifting and added complexities, which could have negative consequences.

Second, I believe the Commission should be aware of the varying degrees of electric restructuring, retail competition, and functional unbundling that different states are currently experiencing and try to understand why these variations exist.

Third, the Commission must respect the ISOs that have formed voluntarily and do all it can to allow these organizations to prosper. And equally important, the Commission must respect the attempts of groups in other regions of the country to form other types of RTOs.

I believe that all three of these concerns will be largely mitigated if the Commission adopts and allows a flexible approach to the formation of RTOs. This flexibility, however, need not be viewed as lacking objectives and principles. Obviously, there are important criteria that any RTO, whether an ISO or an independent transco, must satisfy. However, I believe that an overarching flexibility on the part of the Commission is not only possible, but necessary.

For these reasons, I encourage my colleagues on both sides of the table today to proceed carefully and considerately and, once our current sessions come to a close, to keep the lines of communication between FERC and the states open and active.

Needless to say, our dialogue today is important and timely. In closing, I want to repeat a sentiment that I have expressed on numerous occasions in the recent past. During these consultation sessions with the states, I do not want the Commission to lose sight of fundamental, threshold issues pertaining to the establishment of regional boundaries and the formation of RTOs. I want us to ask each other difficult questions as we seek to determine whether there is a need to establish regional boundaries for RTOs in order to further the goals of full competition and non-discriminatory access or whether there are other means that can be equally effective. I hope this will be the first question we ask ourselves today.

Thank you for participating in this important process.